

FISCAL NOTE

Bill #: HB0401

Title: Deposit on all aluminum cans, beer bottles, and pop bottles

Primary Sponsor: Carney, E

Status: As Introduced

| | | | |
|-------------------|------|---------------------------------|------|
| Sponsor signature | Date | Chuck Swysgood, Budget Director | Date |
|-------------------|------|---------------------------------|------|

Fiscal Summary

Expenditures:

General Fund

Other

FY 2004

Difference

\$58,337

\$42,919

FY 2005

Difference

\$58,337

\$53,244

Revenue:

General Fund (01)

(\$42,919)

(\$53,244)

Net Impact on General Fund Balance:

(\$101,256)

(\$111,581)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Environmental Quality

1. There will be approximately 250-300 redemption centers statewide.
2. There are approximately 80-90 beverage distributors statewide.
3. Rules will be developed to establish minimum standards for record keeping, storage, and certification.
4. Since beverage containers will have an economic value associated with them, they will not be considered a waste material.
5. Redemption centers will not be classified as a waste management facility.
6. The department will conduct less than 15 inspections annually when a complaint or other need exists.
7. There will be one (1) enforcement action or less per year.
8. The department will maintain records relating to volume and type of beverage containers and will collect this information from distributors.
9. The program will need .5 FTE plus additional contracting expenses in the first two years to set up certification and to educate retailers, distributors, and consumers.

Department of Revenue

10. Section 7 of this bill requires a distributor to pay in cash a refund value of \$0.05 for each beverage container received from a retailer or redemption center. In addition to the payment of the \$0.05 refund value, a distributor is required to reimburse the retailer or redemption center for the cost of handling beverage containers. The handling cost reimbursement must be at least 20% of the refund value unless there is an agreement signed between the distributor and the retailer or redemption center.

Fiscal Note Request HB0401, As Introduced
(continued)

11. This bill impacts the Department of Revenue because the department operates the liquor distribution for the State of Montana. The State of Montana is the only distributor of mixed liquor drinks, which is included in the definition of “beverage” in section 3 of this bill.
12. This bill will require the Department of Revenue to incur new expenses in implementing this bill. The department will be required to pay \$0.05 per beverage container received from a retailer or redemption center and at least 20% of the refund value for handling cost reimbursement unless the department and the retailer or redemption center signs an alternative agreement.
13. The Department of Revenue estimates there are approximately 52,000 single use containers that would qualify for a refund from the State of Montana under this bill. If the department receives 50% of the 52,000 containers back from retailers and redemption centers, this will cost the department approximately \$1,560 in payments annually. The department may also incur additional costs if they are not able to sell these containers for at least \$0.06 per container.
14. The department will require 1.5 additional FTE annually over the forecast period and will incur additional operating expenses and require new equipment.
15. The additional expenditures will be made from the Liquor enterprise fund and will reduce the transfer of liquor profits to the general fund by an equivalent amount.

| | | |
|--|-------------------|-------------------|
| <u>FISCAL IMPACT:</u> | FY 2004 | FY 2005 |
| <u>Expenditures:</u> | <u>Difference</u> | <u>Difference</u> |
| Department of Environmental Quality | | |
| FTE | .50 | .50 |
| Personal Services | 21,844 | 21,844 |
| Operating Expenses | <u>36,493</u> | <u>36,493</u> |
| TOTAL | \$58,337 | \$58,337 |
| <u>Funding of Expenditures:</u> | | |
| General Fund (01) | \$58,337 | \$58,337 |
| Department of Revenue | | |
| FTE | 1.50 | 1.50 |
| Personal Services | \$24,180 | \$48,167 |
| Operating Expenses | \$7,139 | \$5,077 |
| Equipment | \$11,600 | \$0 |
| Transfers | | |
| TOTAL | \$42,919 | \$53,244 |
| <u>Funding of Expenditures:</u> | | |
| Proprietary – Liquor Enterprise | \$42,919 | \$53,244 |
| <u>Revenue:</u> | | |
| General Fund (01) | (\$101,256) | (\$111,581) |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | |
| General Fund (01) | (\$42,919) | (\$53,244) |
| Proprietary – Liquor Enterprise | (\$42,919) | (\$53,244) |

Fiscal Note Request HB0401, As Introduced
(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

There will be an increase in recycling of containers and corresponding decrease in containers going into landfills.

LONG-RANGE IMPACTS:

Costs to operate this program will be greatest the first two years while rules are being written and the program is being set up. Once the program is up and operating, costs are expected to decrease.

TECHNICAL NOTES:

Department of Revenue

1. It is unclear if the definition of beverage in section 3(1)(a) and the definition of beverage container in section 3(2) include all sizes of beverage containers. Additionally, the single-use container terminology in section 2(4) makes it more confusing what size of container is allowed for the refund.
2. Under current law, the State of Montana would not be allowed to mark up the liquor products subjected to the refund payment to offset payments made to retailers or redemption centers.

Department of Environmental Quality

3. There is no mechanism for fees to be collected by the department so general funds will be needed to administer the program.
4. Distributors keep all deposits collected that are not refunded in order to operate the program and pay handling costs of retailers and redemption centers.